LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6827
BILL NUMBER: HB 1620

NOTE PREPARED: Mar 28, 2003
BILL AMENDED: Mar 27, 2003

SUBJECT: Temporary teacher contracts.

FIRST AUTHOR: Rep. Lawson L
FIRST SPONSOR: Sen. Server

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill increases the exempt amount a retired teacher who is reemployed may earn without reducing the teacher's retirement benefits. It provides that a temporary teacher's contract must be used under certain circumstances.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The specific fiscal impact will depend upon the number of TRF members affected by the newly proposed exempt amounts. Based on the data and the assumptions below, the annual cost is estimated to range between $18,000 and $58,500 per year. The fund affected is the state General Fund.

Background Information: For FY 2002, 13 TRF members had their benefits suspended because of the exempt amount provision as it currently exists. For FY 2003, the TRF estimates between 6 and 8 TRF members will have their benefits suspended because of the exempt amount provision. In addition, the TRF reports that there are usually a few members who must pay back benefits when it is discovered after the fact that they have exceeded the exempt amount. The temporary suspension of benefits is dependent upon reporting by local boards of education. The member's benefits are suspended once the TRF receives notification that the member has reached the exempt amount. At the beginning of the next fiscal year, the benefits are reinstated until the member again reaches the exempt amount.

The proposal means that more benefits will be paid out each year than at the current level. Specific data are not available on which to base an estimate. The following assumptions are used for illustrative purposes.

An average salary of $55,000 (the approximate average salary for active members in the 50- to 65-year age range).

An average annual pension of $18,000 (the approximate average for retirements from 1999 to 2001). This would be paid in monthly installments of $1,500 beginning July 1.

The school year (and thus the payroll period) begins September 1, two months into the fiscal year.

Based on the above, the pay for such a member would reach the current law's "exempt amount" of $25,000 toward the end of January. At that point, the member would have received seven months of benefit payments; and (assuming the member continues to teach) the remaining five months of payments would be suspended. At $18,000 per year, this would mean $7,500 of forgone benefit payments to the member.

Under the proposed change, the member's pay would reach the new "exempt amount" of either $35,000 or $40,000 in March or April (after the member had received the 9th or 10th monthly benefit payment.) The member would be ineligible for payments for the rest of that fiscal year. At $18,000 per year, this would mean $3,000 to $4,500 in forgone benefit payments to the member.

The difference of either $3,000 and $4,500 of additional benefit payments is the increase in cost to the TRF, based on this example. The annual cost is estimated to range between $18,000 and $58,500, based on the data provided by the TRF. This represents less than 0.01% of the TRF active payroll.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Local school corporations are required to pay substitute teachers at the daily contract rate if a substitute works for 15 days in a position put is not required to provide other benefits. Under a temporary contract the school would be required to provide the same benefits a teachers receives under a regular contract. Schools could experience an increase cost depending on the number of temporary contracts that the school may have granted.

Explanation of Local Revenues:

State Agencies Affected: Teachers Retirement Fund.

Local Agencies Affected: Local Schools.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.